GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:377
ANSWERED ON:14.12.2001
MITRA COMMITTEE REPORT
KANTI SINGH;MOHAMMED SHAHABUDDIN

Will the Minister of FINANCE be pleased to state:

(a) whether the Mitra Committee Report set up by RBI on bank frauds has been received by the Government;

(b) if so, the details thereof alongwith the main recommendations made by the Committee;

(c) whether the Committee has suggested among other recommendations that a suitable legislation be made to deal with bank/FIs frauds;

(d) if so, the main features of the proposed legislation; and

(e) the reaction of the Government thereon and the steps taken to implement the recommendations of the Committee:

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) and (b) The Expert Committee on Legal Aspects of Bank Frauds was constituted byReserve Bank of India under the Chairmanship of Dr. N.L. Mitra. Vice-Chancellor. NationalLaw University, Jodhpur in August 2000. The Committee had submitted its report to RBI on31st August 2001. A copy of the report has been made available to Government also by RBI.The recommendations of the Committee consist of two parts - Part-1: dealing with In-house Preventive Measures and Part II: dealing with prohibitive aspects requiring legislative changes for implementation. The major recommendations of the Mitra Committee includedevelopment of best practice code, internal check and control, criminalisation of financial fraud, separate investigating authority for investigating serious financial fraud, special court for trying such offences and separate Act to deal with financial fraud.

(c) and (d) The Committee had suggested a separate Act to deal with financial fraud and recommended that serious financial frauds should be separately treated on the lines of Criminal Justice Act, 1978 of UK and that such funds should be investigated by a specialised agency. The Committee has further recommended that legislative changes would be required in the Indian Penal Code 1860 to define financial fraud and provide punishment for financial fraud and that amendment would also be required in indian Evidence Act to provide for presumption of intention of the party or parties committing/ abetting financial frauds. The Committee has further suggested that similarly in the Code of Criminal Procedure 1973, amendments may be made providing for right of investigating officer to search, seize movable properties/ documents, trace the property and funds and attachment thereof. Provision has also been suggested for Court`s confirmation of attachment and order for forfeiture/ restoration. The Committee has also suggested legislation for setting up a separate institution for investigation of serious financial frauds and establishment of an Office of Director for investigation of financial frauds and multi disciplinary body under his chairmanship. The Committee also recommended setting up of Special Courts having judges with sufficient knowledge of economic system, market function and regulatory mechanism for trying the accused under the proposed financial fraud act so as to provide fast track justice delivery mechanism.

(e) The recommendations of the Committee are presently being examined by the Reserve Bankof India after which the same will be forwarded to the Government along with the views of RBI.